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UNCLAS SECTION 01 OF 02 BEIJING 000307

DEPARTMENT FOR INR/R/MR, EAP/CM, EAP/PA, EAP/PD, C
HQ PACOM FOR PUBLIC DIPLOMACY ADVISOR (J007)
SIPDIS

E.O. 12958: N/A

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SUBJECT: MEDIA REACTION: ARMS SALES TO TAIWAN, RMB APPRECIATION

Editorial Quotes

11. ARMS SALES TO TAIWAN

a. "The United States threatens to be tougher on China"

The People's Daily-sponsored and internationally-focused commercial news publication Global Times (Huanqiu Shibao)(02/05)(pg 1):
"President Obama's remarks to be tougher on China on trade issues seems to have started a new battlefield with China, following Internet freedom, the RMB appreciation, arms sales to Taiwan and meeting the Dalai Lama. A Chinese expert said that when the U.S. slaps China in the face one time, it is just like the U.S.; however when it makes slaps China's face four times, the U.S. is acting like an arrogant Saddam. Reuters said that China's tough stance shows, along with China's growing economic strength, that it is more confident in its political power. However, almost none of the Western media reporters seem to understand or realize that China's hard-line stance is to defend its national interests, and that under the circumstances, China has no other choice. Sun Zhe, the director of the Center for Sino-U.S. Relations Research at Tsinghua University, said that now Sino-U.S. relations seem to be in a head-lock. Both the United States and China feel wrongly-treated and indignant. As to the Google incident, Sun said that since Google still has economic interests in China it is unwilling to be the U.S. government's representative. Now the U.S. has asked other multinational companies to take a stand; aimed at making a collective stand and increasing their pressure on China."

b. "China hopes that the United States and China will work together to safeguard China- U.S. relations"

The official intellectual publication Guangming Daily (Guangming Ribao)(02/05)(pg 8): "Chinese Foreign Ministry Spokesperson Ma Zhaoxu said that the United States should 'take China's stance seriously and work with China on common goals.' When asked whether China-U.S. tension peaked over the arms sale combined with Obama's possible future meeting with the Dalai Lama, Ma Zhaoxu stated, 'I want to reaffirm that sound China-U.S. relationship requires both nations' joint efforts. The key is respecting each other's core interests and concerns.' Ma called on the United States to abide by the principles of the three joint communiqués and the recent agreement reached by the two presidents to safeguard the overall bilateral relationship.

c. "Do not expect the U.S. to give up arms sales to Taiwan"

The official Xinhua News Agency international news publication International Herald Leader (Guoji Xianqu Daobao)(02/04)(pg 3):
"Chinese Rear Admiral Yang Yi said each time that China protests, and each time the U.S. comes over to solve the dispute; the bilateral relations will be resumed. However, this time is different. China needs to punish the U.S. China will adopt further, updated and more effective countermeasures so that the U.S. can feel the pain. Ge Laiyi, senior researcher at the Center for

American Strategy and International Strategy Studies, said that it is still unclear what China's red line on arms sales to Taiwan is. Some American aviation companies have become concerned about China's sanctioning measures; announcing that they are trying to stay outside the issue of Sino-U.S. relations. Mr. Ge also said it is impossible for China's countermeasures to stop the U.S. arms sales to Taiwan. Meng Xiangqing, professor of the Institute of Strategic Studies at China's National Defense University, said that China should give the United States a timetable for the cessation of their arms sales to Taiwan. The United States should make clear when they plan to finally stop selling arms to Taiwan. In ten years time, when China's national defense strength is enhanced and matches that of the U.S., then China could have the ability to have a showdown with the U.S. over this issue."

12. RMB APPRECIATION

"Obama's 'GDP variation point'"

Guangdong 21st Century Publishing Company Ltd.'s business newspaper 21st Century Business Herald (21Shiji Jingji Baodao)(02/05)(pg 2): "Arms sales to Taiwan, standing ready to meet the separatist, as well as threatening to put pressure on the RMB exchange rate; all these actions seem to show that Obama has changed his 'moderate image' overnight. Obama's attitude appears to have made an obvious turnaround just as his GDP variation point. Because the U.S.'s GDP has had rapid and successive growth for the last two quarters, Obama has changed his previous mediator-like ways. His continuously falling public support rating has made him search for a point of focus that would allow him to win back public support and attention. The RMB appreciation topic rises to that occasion. Obama will need the RMB appreciation issue to offset the increase of China's

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imports; otherwise he will not complete the White House's 'ten-year moderate growth plan' and 'unemployment control.' Obama does not care very much about whether or not the Chinese will continue hold U.S. debt. The depreciation of the dollar is a long-term trend. We must be aware that the future trends and development of the Sino-U.S. economic relationship will be the real variable in the RMB's exchange rate."

HUNTSMAN